

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE
HEALTH CARE SERVICE PLAN**

1

QUARTERLY FINANCIAL REPORTING FORM

Submitted on 11/5/2003 4:33:49 PM

| | | 1 |
|-----|--|---|
| 1. | FOR THE QUARTER ENDING: | September 30, 2003 |
| 2. | Name: | DEDICATED DENTAL SYSTEMS, INC. |
| 3. | File Number:(Enter last three digits) 933-0 | 244 |
| 4. | Date Incorporated or Organized: | July 7, 1985 |
| 5. | Date Licensed as a HCSP: | See Attached |
| 6. | Date Federally Qualified as a HCSP: | N/A |
| 7. | Date Commenced Operation: | 1988 |
| 8. | Mailing Address: | 3990 Ming Avenue, Bakersfield, CA 93309 |
| 9. | Address of Main Administrative Office: | 3990 Ming Avenue, Bakersfield, CA 93309 |
| 10. | Telephone Number: | (661) 397-5513 |
| 11. | HCSP's ID Number: | 77-0078333 |
| 12. | Principal Location of Books and Records: | 3990 Ming Avenue, Bakersfield, CA 93309 |
| 13. | Plan Contact Person and Phone Number: | David Stanfield, (949) 567-3151 |
| 14. | Financial Reporting Contact Person and Phone Number: | Robert Hill, (310) 765-2470 |
| 15. | President:* | David Stanfield |
| 16. | Secretary:* | Thomas Gibbon |
| 17. | Chief Financial Officer:* | Robert Hill |
| 18. | Other Officers:* | David Spence, Chief Operating Officer |
| 19. | | |
| 20. | | |
| 21. | | |
| 22. | Directors:* | David Stanfield |
| 23. | | Robert Hill |
| 24. | | |
| 25. | | |
| 26. | | |
| 27. | | |
| 28. | | |
| 29. | | |
| 30. | | |
| 31. | | |

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

| | |
|---|---|
| 32. President | /s/ David Stanfield (please type for valid signature) |
| 33. Secretary | /s/ Thomas Gibbon (please type for valid signature) |
| 34. Chief Financial Officer | /s/ Robert Hill (please type for valid signature) |
| * Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement. | |
| 35. Check if this is a revised filing, and complete question 7 on page 2: <input type="checkbox"/> | |
| 36. If all dollar amounts are reported in thousands (000), check here: <input type="checkbox"/> | |

Check My Work.

STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE
HEALTH CARE SERVICE PLAN

QUARTERLY FINANCIAL REPORTING FORM

SUPPLEMENTAL INFORMATION

| | | 1 |
|----|--|--------------------------------------|
| 1. | Are footnote disclosures attached with this filing? | Yes <input type="button" value="v"/> |
| 2. | Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules. | No <input type="button" value="v"/> |
| 3. | Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department? | Yes <input type="button" value="v"/> |
| 4. | Have the Restricted Assets changed from the previous quarterly filing? If "yes", complete Schedule A-2 (Restricted Assets). | No <input type="button" value="v"/> |
| 5. | Are there any significant changes reported on Schedule G, Section III? | No <input type="button" value="v"/> |
| 6. | If "yes", describe: | |
| 7. | If this is a revised reporting form, what is/are the reason(s) for the revision? | |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REPORT #1 ---- PART A: ASSETS

| 1 | 2 |
|---|----------------|
| CURRENT ASSETS: | Current Period |
| 1. Cash and Cash Equivalents | 2,095,482 |
| 2. Short-Term Investments | 0 |
| 3. Premiums Receivable - Net | 18,667 |
| 4. Interest Receivable | 0 |
| 5. Shared Risk Receivables - Net | 0 |
| 6. Other Health Care Receivables - Net | 1,747,045 |
| 7. Prepaid Expenses | 87,383 |
| 8. Secured Affiliate Receivables - Current | 0 |
| 9. Unsecured Affiliate Receivables - Current | 247,794 |
| 10. Aggregate Write-Ins for Current Assets | 211,390 |
| 11. TOTAL CURRENT ASSETS (Items 1 to 10) | 4,407,761 |
| OTHER ASSETS: | |
| 12. Restricted Assets | 50,000 |
| 13. Long-Term Investments | 0 |
| 14. Intangible Assets and Goodwill - Net | 58,546 |
| 15. Secured Affiliate Receivables - Long-Term | 0 |
| 16. Unsecured Affiliate Receivables - Past Due | 0 |
| 17. Aggregate Write-Ins for Other Assets | 11,523 |
| 18. TOTAL OTHER ASSETS (Items 12 to 17) | 120,069 |
| PROPERTY AND EQUIPMENT | |
| 19. Land, Building and Improvements | 0 |
| 20. Furniture and Equipment - Net | 435,720 |
| 21. Computer Equipment - Net | 13,699 |
| 22. Leasehold Improvements -Net | 656,824 |
| 23. Construction in Progress | 0 |
| 24. Software Development Costs | 0 |
| 25. Aggregate Write-Ins for Other Equipment | 0 |
| 26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25) | 1,106,243 |
| 27. TOTAL ASSETS | 5,634,073 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS | |
| 1001. Supplies Inventory | 211,390 |
| 1002. | 0 |
| 1003. | 0 |
| 1004. | 0 |
| 1098. Summary of remaining write-ins for Item 10 from overflow page | 0 |
| 1099. TOTALS (Items 1001 thru 1004 plus 1098) | 211,390 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS | |
| 1701. Deposits | 11,523 |
| 1702. | 0 |
| 1703. | 0 |
| 1704. | 0 |
| 1798. Summary of remaining write-ins for Item 17 from overflow page | 0 |
| 1799. TOTALS (Items 1701 thru 1704 plus 1798) | 11,523 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT | |
| 2501. | |
| 2502. | |
| 2503. | |
| 2504. | |
| 2598. Summary of remaining write-ins for Item 25 from overflow page | |
| 2599. TOTALS (Items 2501 thru 2504 plus 2598) | 0 |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

| 1 | 2 | 3 | 4 |
|---|----------------|-----------------|-----------|
| CURRENT LIABILITIES: | Current Period | | |
| | Contracting | Non-Contracting | Total |
| 1. Trade Accounts Payable | 227,277 | XXX | 227,277 |
| 2. Capitation Payable | 0 | XXX | 0 |
| 3. Claims Payable (Reported) | 1,110 | | 1,110 |
| 4. Incurred But Not Reported Claims | 18,360 | | 18,360 |
| 5. POS Claims Payable (Reported) | 0 | | 0 |
| 6. POS Incurred But Not Reported Claims | 0 | | 0 |
| 7. Other Medical Liability | 0 | | 0 |
| 8. Unearned Premiums | 480,165 | XXX | 480,165 |
| 9. Loans and Notes Payable | 0 | XXX | 0 |
| 10. Amounts Due To Affiliates - Current | 0 | XXX | 0 |
| 11. Aggregate Write-Ins for Current Liabilities | 576,720 | 0 | 576,720 |
| 12. TOTAL CURRENT LIABILITIES (Items 1 to 11) | 1,303,632 | 0 | 1,303,632 |
| OTHER LIABILITIES: | | | |
| 13. Loans and Notes Payable (Not Subordinated) | 0 | XXX | 0 |
| 14. Loans and Notes Payable (Subordinated) | 0 | XXX | 0 |
| 15. Accrued Subordinated Interest Payable | 0 | XXX | 0 |
| 16. Amounts Due To Affiliates - Long Term | 0 | XXX | 0 |
| 17. Aggregate Write-Ins for Other Liabilities | 0 | XXX | 0 |
| 18. TOTAL OTHER LIABILITIES (Items 13 to 17) | 0 | XXX | 0 |
| 19. TOTAL LIABILITIES | 1,303,632 | 0 | 1,303,632 |
| NET WORTH | | | |
| 20. Common Stock | XXX | XXX | 35,292 |
| 21. Preferred Stock | XXX | XXX | 0 |
| 22. Paid In Surplus | XXX | XXX | 360,083 |
| 23. Contributed Capital | XXX | XXX | 0 |
| 24. Retained Earnings (Deficit)/Fund Balance | XXX | XXX | 3,935,066 |
| 25. Aggregate Write-Ins for Other Net Worth Items | XXX | XXX | 0 |
| 26. TOTAL NET WORTH (Items 20 to 25) | XXX | XXX | 4,330,441 |
| 27. TOTAL LIABILITIES AND NET WORTH | XXX | XXX | 5,634,073 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES | | | |
| 1101. Accrued Payroll and Related | 521,087 | | 521,087 |
| 1102. Accrued Liabilities | 55,633 | | 55,633 |
| 1103. | | | 0 |
| 1104. | | | 0 |
| 1198. Summary of remaining write-ins for Item 11 from overflow page | | | 0 |
| 1199. TOTALS (Items 1101 thru 1104 plus 1198) | 576,720 | 0 | 576,720 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES | | | |
| 1701. | | XXX | 0 |
| 1702. | | XXX | 0 |
| 1703. | | XXX | 0 |
| 1704. | | XXX | 0 |
| 1798. Summary of remaining write-ins for Item 17 from overflow page | | XXX | 0 |
| 1799. TOTALS (Items 1701 thru 1704 plus 1798) | 0 | XXX | 0 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS | | | |
| 2501. | XXX | XXX | |
| 2502. | XXX | XXX | |
| 2503. | XXX | XXX | |
| 2504. | XXX | XXX | |
| 2598. Summary of remaining write-ins for Item 25 from overflow page | XXX | XXX | |
| 2599. TOTALS (Items 2501 thru 2504 plus 2598) | XXX | XXX | 0 |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REPORT #2: REVENUE, EXPENSES AND NET WORTH

| | 1 | 2 |
|--|----------------|--------------|
| | Current Period | Year-To-Date |
| REVENUES: | | |
| 1. Premiums (Commercial) | 571,321 | 2,182,221 |
| 2. Capitation | 193,923 | 481,975 |
| 3. Co-payments, COB, Subrogation | 0 | 460,479 |
| 4. Title XVIII - Medicare | 0 | 0 |
| 5. Title XIX - Medicaid | 0 | 0 |
| 6. Fee-For-Service | 2,575,332 | 8,165,019 |
| 7. Point-Of-Service (POS) | 0 | 0 |
| 8. Interest | 0 | 0 |
| 9. Risk Pool Revenue | 0 | 0 |
| 10. Aggregate Write-Ins for Other Revenues | 58,641 | 118,144 |
| 11. TOTAL REVENUE (Items 1 to 10) | 3,399,217 | 11,407,838 |
| EXPENSES: | | |
| Medical and Hospital | | |
| 12. Inpatient Services - Capitated | 0 | 0 |
| 13. Inpatient Services - Per Diem | 0 | 0 |
| 14. Inpatient Services - Fee-For-Service/Case Rate | 0 | 0 |
| 15. Primary Professional Services - Capitated | 69,724 | 160,947 |
| 16. Primary Professional Services - Non-Capitated | 1,653,257 | 5,056,214 |
| 17. Other Medical Professional Services - Capitated | 0 | 0 |
| 18. Other Medical Professional Services - Non-Capitated | 359,854 | 1,191,557 |
| 19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS | 0 | 0 |
| 20. POS Out-Of-Network Expense | 0 | 0 |
| 21. Pharmacy Expense - Capitated | 0 | 0 |
| 22. Pharmacy Expense - Fee-for-Service | 0 | 0 |
| 23. Aggregate Write-Ins for Other Medical and Hospital Expenses | 957,990 | 2,831,778 |
| 24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23) | 3,040,825 | 9,240,496 |
| Administration | | |
| 25. Compensation | 155,940 | 338,638 |
| 26. Interest Expense | 0 | 0 |
| 27. Occupancy, Depreciation and Amortization | 41,619 | 116,729 |
| 28. Management Fees | 0 | 0 |
| 29. Marketing | 0 | 0 |
| 30. Affiliate Administration Services | 0 | 0 |
| 31. Aggregate Write-Ins for Other Administration | 89,205 | 333,765 |
| 32. TOTAL ADMINISTRATION (Items 25 to 31) | 286,764 | 789,132 |
| 33. TOTAL EXPENSES | 3,327,589 | 10,029,628 |
| 34. INCOME (LOSS) | 71,628 | 1,378,210 |
| 35. Extraordinary Item | 0 | 0 |
| 36. Provision for Taxes | 30,000 | 593,000 |
| 37. NET INCOME (LOSS) | 41,628 | 785,210 |
| NET WORTH: | | |
| 38. Net Worth Beginning of Period | 4,258,813 | 3,649,125 |
| 39. Audit Adjustments | 0 | 0 |
| 40. Increase (Decrease) in Common Stock | 0 | 0 |
| 41. Increase (Decrease) in Preferred Stock | 0 | 0 |
| 42. Increase (Decrease) in Paid in Surplus | 0 | 0 |
| 43. Increase (Decrease) in Contributed Capital | 30,000 | 593,000 |
| 44. Increase (Decrease) in Retained Earnings: | 0 | 0 |
| 45. Net Income (Loss) | 41,628 | 785,210 |
| 46. Dividends to Stockholders | 0 | -696,894 |
| 47. Aggregate Write-Ins for Changes in Retained Earnings | 0 | 0 |
| 48. Aggregate Write-Ins for Changes in Other Net Worth Items | 0 | 0 |
| 49. NET WORTH END OF PERIOD (Items 38 to 48) | 4,330,441 | 4,330,441 |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REPORT #2: REVENUE, EXPENSES AND NET WORTH

| 1 | 2 | 3 |
|---|----------------|--------------|
| | Current Period | Year-to-Date |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES | | |
| 1001. Other Specialty Program Revenue | 58,641 | 118,144 |
| 1002. | | |
| 1003. | | |
| 1004. | | |
| 1005. | | |
| 1006. | | |
| 1098. Summary of remaining write-ins for Item 10 from overflow page | | |
| 1099. TOTALS (Items 1001 thru 1006 plus 1098) | 58,641 | 118,144 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES | | |
| 2301. Dental Supplies and Lab | 327,563 | 979,481 |
| 2302. Marketing | 45,876 | 164,276 |
| 2303. Practice G & A | 382,457 | 1,124,319 |
| 2304. Occupancy, Depreciation, and Amortization | 202,094 | 563,702 |
| 2305. | | |
| 2306. | | |
| 2398. Summary of remaining write-ins for Item 23 from overflow page | | |
| 2399. TOTALS (Items 2301 thru 2306 plus 2398) | 957,990 | 2,831,778 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES | | |
| 3101. HMO G & A | 80,692 | 252,748 |
| 3102. HMO Bad Debt | 9,958 | 19,537 |
| 3103. Other Income/Expense | -1,445 | 61,480 |
| 3104. | | |
| 3105. | | |
| 3106. | | |
| 3198. Summary of remaining write-ins for Item 31 from overflow page | | |
| 3199. TOTALS (Items 3101 thru 3106 plus 3198) | 89,205 | 333,765 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS | | |
| 4701. | | |
| 4702. | | |
| 4703. | | |
| 4704. | | |
| 4705. | | |
| 4706. | | |
| 4798. Summary of remaining write-ins for Item 47 from overflow page | | |
| 4799. TOTALS (Items 4701 thru 4706 plus 4798) | 0 | 0 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS | | |
| 4801. | | |
| 4802. | | |
| 4803. | | |
| 4804. | | |
| 4805. | | |
| 4806. | | |
| 4898. Summary of remaining write-ins for Item 48 from overflow page | | |
| 4899. TOTALS (Items 4801 thru 4806 plus 4898) | 0 | 0 |

REPORT #3: STATEMENT OF CASH FLOWS

| 1 | 2 | 3 |
|--|----------------|--------------|
| | Current Period | Year-to-Date |
| CASH FLOW PROVIDED BY OPERATING ACTIVITIES | | |
| 1. Group/Individual Premiums/Capitation | 769,544 | 2,662,178 |
| 2. Fee-For-Service | 2,517,046 | 8,005,524 |
| 3. Title XVIII - Medicare Premiums | 0 | 0 |
| 4. Title XIX - Medicaid Premiums | 0 | 0 |
| 5. Investment and Other Revenues | 58,641 | 118,144 |
| 6. Co-Payments, COB and Subrogation | 287,813 | 748,292 |
| 7. Medical and Hospital Expenses | -2,946,170 | -9,686,408 |
| 8. Administration Expenses | -275,579 | -1,030,713 |
| 9. Federal Income Taxes Paid | 0 | 0 |
| 10. Interest Paid | 0 | 0 |
| 11. NET CASH PROVIDED BY OPERATING ACTIVITIES | 411,295 | 817,017 |
| CASH FLOW PROVIDED BY INVESTING ACTIVITIES | | |
| 12. Proceeds from Restricted Cash and Other Assets | 0 | 0 |
| 13. Proceeds from Investments | 0 | 0 |
| 14. Proceeds for Sales of Property, Plant and Equipment | 0 | 0 |
| 15. Payments for Restricted Cash and Other Assets | 0 | 0 |
| 16. Payments for Investments | 0 | 0 |
| 17. Payments for Property, Plant and Equipment | -47,918 | -112,534 |
| 18. NET CASH PROVIDED BY INVESTING ACTIVITIES | -47,918 | -112,534 |
| CASH FLOW PROVIDED BY FINANCING ACTIVITIES: | | |
| 19. Proceeds from Paid in Capital or Issuance of Stock | 0 | 0 |
| 20. Loan Proceeds from Non-Affiliates | 0 | 0 |
| 21. Loan Proceeds from Affiliates | 0 | 0 |
| 22. Principal Payments on Loans from Non-Affiliates | 0 | 0 |
| 23. Principal Payments on Loans from Affiliates | 0 | 0 |
| 24. Dividends Paid | 0 | -696,894 |
| 25. Aggregate Write-Ins for Cash Provided by Financing Activities | 30,000 | 593,000 |
| 26. NET CASH PROVIDED BY FINANCING ACTIVITIES | 30,000 | -103,894 |
| 27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26) | 393,377 | 600,589 |
| 28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER | 1,702,105 | 1,494,893 |
| 29. CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER | 2,095,482 | 2,095,482 |
| RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| 30. Net Income | 41,628 | 785,210 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities | | |
| 31. Depreciation and Amortization | 35,393 | 112,646 |
| 32. Decrease (Increase) in Receivables | 228,055 | -43,671 |
| 33. Decrease (Increase) in Prepaid Expenses | 1,382 | 40,396 |
| 34. Decrease (Increase) in Affiliate Receivables | 9,445 | -12,811 |
| 35. Increase (Decrease) in Accounts Payable | 10,807 | 1,769 |
| 36. Increase (Decrease) in Claims Payable and Shared Risk Pool | -6,165 | -7,456 |
| 37. Increase (Decrease) in Unearned Premium | 5,772 | -780 |
| 38. Aggregate Write-Ins for Adjustments to Net Income | 84,978 | -58,286 |
| 39. TOTAL ADJUSTMENTS (Items 31 through 38) | 369,667 | 31,807 |
| 40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11) | 411,295 | 817,017 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES | | |
| 2501. Donated capital | 30,000 | 593,000 |
| 2502. | | |
| 2503. | | |
| 2598. Summary of remaining write-ins for Item 25 from overflow page | | |
| 2599. TOTALS (Items 2501 thru 2503 plus 2598) | 30,000 | 593,000 |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME | | |
| 3801. Decrease (Increase) in Supplies Inventories | 432 | 8,431 |
| 3802. Increase (Decrease) in Accrued Liabilities | -4,181 | -151,560 |
| 3803. Increase (Decrease) in Accrued Payroll | 88,727 | 63,609 |
| 3898. Summary of remaining write-ins for Item 38 from overflow page | 0 | 21,234 |
| 3899. TOTALS (Items 3801 thru 3803 plus 3898) | 84,978 | -58,286 |

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REPORT #4: ENROLLMENT AND UTILIZATION TABLE**TOTAL ENROLLMENT**

| 1 Source of Enrollment | 2 Total Enrollees At End of Previous Period | 3 Additions During Period | 4 Terminations During Period | 5 Total Enrollees at End of Period | 6 Cumulative Enrollee Months for Period | Total Member Ambulatory Encounters for Period | | | 10 Total Patient Days Incurred | 11 Annualized Hospital Days/1000 | 12 Average Length of Stay |
|---|---|---------------------------------|------------------------------------|--|---|---|---------------------|------------|---|---|------------------------------------|
| | | | | | | 7 Physicians | 8 Non-Physicians | 9 Total | | | |
| 1. Group (Commercial) | 13,697 | 578 | 1,165 | 13,110 | 150,259 | | | 0 | | 0 | |
| 2. Medicare Risk | | | | 0 | | | | 0 | | | |
| 3. Medi-Cal Risk | | | | 0 | | | | 0 | | | |
| 4. Individual | 18,770 | 1,315 | 1,492 | 18,593 | 170,813 | | | 0 | | 0 | |
| 5. Point of Service | | | | 0 | | | | 0 | | | |
| 6. Aggregate write-ins for Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 7. Total Membership | 32,467 | 1,893 | 2,657 | 31,703 | 321,072 | 0 | 0 | 0 | 0 | 0 | |
| DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT | | | | | | | | | | | |
| 601. Small Group | | | | 0 | | | | 0 | | | |
| 602. Healthy Families | | | | 0 | | | | 0 | | | |
| 603. AIM | | | | 0 | | | | 0 | | | |
| 604. Medicare Cost | | | | 0 | | | | 0 | | | |
| 605. ASO | | | | 0 | | N/A | N/A | N/A | N/A | N/A | N/A |
| 606. PPO | | | | 0 | | | | 0 | | | |
| 607. | | | | 0 | | | | 0 | | | |
| 608. | | | | 0 | | | | 0 | | | |
| 609. | | | | 0 | | | | 0 | | | |
| 610. | | | | 0 | | | | 0 | | | |
| 611. | | | | 0 | | | | 0 | | | |
| 612. | | | | 0 | | | | 0 | | | |
| Summary of remaining write-ins for | | | | | | | | | | | |
| 698. Item 6 from overflow page | | | | 0 | | | | 0 | | | |
| Totals (lines 601 through 612 plus | | | | | | | | | | | |
| 699, 698) (Line 6 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |

**

SCHEDULE A-1 (CASH)

| 1 | 2 | 3 |
|--|----------------|-----------|
| Name of Depository (List all accounts even if closed during the period) | Account Number | Balance* |
| 1. Bank of America | 0415-9-08903 | 34,856 |
| 2. Wells Fargo | 9600-035973 | -82,617 |
| 3. Wells Fargo | 9600-036373 | -25,529 |
| 4. Wells Fargo | 4945-021467 | 2,167,918 |
| 5. | | |
| 6. | | |
| 7. | | |
| 8. | | |
| 9. Total Cash on Deposit | | 2,094,628 |
| 10. Cash on Hand (Petty Cash) | | 854 |
| 11. Total Cash on Hand and on Deposit (Report #1, Part A, Line 1) | | 2,095,482 |

SCHEDULE A-2 RESTRICTED ASSETS

| 1 | 2 | 3 |
|--|-----------------|----------|
| Name of Depository (List all accounts even if closed during period) | Account Number | Balance* |
| 12. Wells Fargo Bank | 1753-057785-000 | 50,000 |
| 13. | | |
| 14. | | |
| 15. | | |
| 16. | | |
| 17. | | |
| 18. | | |
| 19. Total Restricted Assets | | 50,000 |

* Indicate the Balance Per the HMO's Records

**

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

SCHEDULE C - PREMIUMS RECEIVABLE (Other than Affiliates)

Individually list all debtors (commercial only) with account balances greater than 5% of gross Premiums Receivable. Group the total of all other premiums receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

| | 1 Name of Debtor | 2 1-30 Days | 3 31-60 Days | 4 61-90 Days | 5 Over 90 Days | 6 Total |
|-----|--|----------------|-----------------|-----------------|-------------------|------------|
| 1. | Health Plan Premiums Receivable | 8,185 | 7,108 | 9,060 | 2,020 | 26,373 |
| 2. | Less: Allowance for Doubtful Accounts | (744) | -1,422 | -4,530 | -1,010 | -7,706 |
| 3. | | | | | | 0 |
| 4. | | | | | | 0 |
| 5. | | | | | | 0 |
| 6. | | | | | | 0 |
| 7. | | | | | | 0 |
| 8. | | | | | | 0 |
| 9. | | | | | | 0 |
| 10. | | | | | | 0 |
| 11. | | | | | | 0 |
| 12. | | | | | | 0 |
| 13. | | | | | | 0 |
| 14. | | | | | | 0 |
| 15. | | | | | | 0 |
| 16. | | | | | | 0 |
| 17. | | | | | | 0 |
| 18. | | | | | | 0 |
| 19. | | | | | | 0 |
| 20. | | | | | | 0 |
| 21. | | | | | | 0 |
| 22. | | | | | | 0 |
| 23. | | | | | | 0 |
| 24. | | | | | | 0 |
| 25. | | | | | | 0 |
| 26. | | | | | | 0 |
| 27. | | | | | | 0 |
| 28. | | | | | | 0 |
| 29. | | | | | | 0 |
| 30. | | | | | | 0 |
| 31. | | | | | | 0 |
| 32. | | | | | | 0 |
| 33. | | | | | | 0 |
| 34. | | | | | | 0 |
| 35. | | | | | | 0 |
| 36. | | | | | | 0 |
| 37. | | | | | | 0 |
| 38. | | | | | | 0 |
| 39. | | | | | | 0 |
| 40. | | | | | | 0 |
| 41. | | | | | | 0 |
| 42. | | | | | | 0 |
| 43. | | | | | | 0 |
| 44. | | | | | | 0 |
| 45. | | | | | | 0 |
| 46. | | | | | | 0 |
| 47. | | | | | | 0 |
| 48. | | | | | | 0 |
| 49. | | | | | | 0 |
| 50. | | | | | | 0 |
| 51. | | | | | | 0 |
| 52. | | | | | | 0 |
| 53. | | | | | | 0 |
| 54. | Aggregate Accounts Not Individually Listed | | | | | 0 |
| 55. | Total | 7,441 | 5,686 | 4,530 | 1,010 | 18,667 |

**

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

SCHEDULE D
HEALTH CARE RECEIVABLES &
AMOUNTS DUE FROM PARENT, SUBSIDIARIES, AND AFFILIATES

Individually list all debtors with account balances greater than 10% of gross Receivables. Group the total of all other receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

| | 1 Name of Debtor | 2 1-30 Days | 3 31-60 Days | 4 61-90 Days | 5 Over 90 Days | 6 Total |
|-----|--|----------------|-----------------|-----------------|-------------------|------------|
| 1. | Patient and Dental Insurance Companies | 551,970 | 340,903 | 201,202 | 1,387,844 | 2,481,919 |
| 2. | Less: Allowance for Doubtful Accounts | (16,250) | -16,737 | -15,957 | -685,930 | -734,874 |
| 3. | | | | | | 0 |
| 4. | InterDent Service Corporation | (73,961) | -76,021 | 140,537 | 257,239 | 247,794 |
| 5. | | | | | | 0 |
| 6. | | | | | | 0 |
| 7. | | | | | | 0 |
| 8. | | | | | | 0 |
| 9. | | | | | | 0 |
| 10. | | | | | | 0 |
| 11. | | | | | | 0 |
| 12. | | | | | | 0 |
| 13. | | | | | | 0 |
| 14. | | | | | | 0 |
| 15. | | | | | | 0 |
| 16. | | | | | | 0 |
| 17. | | | | | | 0 |
| 18. | | | | | | 0 |
| 19. | | | | | | 0 |
| 20. | | | | | | 0 |
| 21. | | | | | | 0 |
| 22. | | | | | | 0 |
| 23. | | | | | | 0 |
| 24. | | | | | | 0 |
| 25. | | | | | | 0 |
| 26. | | | | | | 0 |
| 27. | | | | | | 0 |
| 28. | | | | | | 0 |
| 29. | | | | | | 0 |
| 30. | | | | | | 0 |
| 31. | | | | | | 0 |
| 32. | | | | | | 0 |
| 33. | | | | | | 0 |
| 34. | | | | | | 0 |
| 35. | | | | | | 0 |
| 36. | | | | | | 0 |
| 37. | | | | | | 0 |
| 38. | | | | | | 0 |
| 39. | | | | | | 0 |
| 40. | | | | | | 0 |
| 41. | | | | | | 0 |
| 42. | | | | | | 0 |
| 43. | | | | | | 0 |
| 44. | | | | | | 0 |
| 45. | | | | | | 0 |
| 46. | | | | | | 0 |
| 47. | | | | | | 0 |
| 48. | | | | | | 0 |
| 49. | | | | | | 0 |
| 50. | | | | | | 0 |
| 51. | | | | | | 0 |
| 52. | | | | | | 0 |
| 53. | | | | | | 0 |
| 54. | Aggregate Accounts Not Individually Listed | | | | | 0 |
| 55. | Total | 461,759 | 248,145 | 325,782 | 959,153 | 1,994,839 |

**

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

SCHEDULE F - ACCOUNTS PAYABLE

Individually list all creditors with account balances greater than 5% of total trade accounts payable. Group the total of all other payables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed - Due." Report accounts payable from the initial date of billing or due date under contract.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|-----------|------------|------------|-------------|---------------|---------|
| Name of Debtor | 1-30 Days | 31-60 Days | 61-90 Days | 91-120 Days | Over 120 Days | Total |
| 1. Dental X Change, Inc. | - | 0 | 0 | 0 | 20,918 | 20,918 |
| 2. Henry Schein | 48,955 | 35,973 | 538 | 0 | 0 | 85,466 |
| 3. | | | | | | 0 |
| 4. | | | | | | 0 |
| 5. | | | | | | 0 |
| 6. | | | | | | 0 |
| 7. | | | | | | 0 |
| 8. | | | | | | 0 |
| 9. | | | | | | 0 |
| 10. | | | | | | 0 |
| 11. | | | | | | 0 |
| 12. | | | | | | 0 |
| 13. | | | | | | 0 |
| 14. | | | | | | 0 |
| 15. | | | | | | 0 |
| 16. | | | | | | 0 |
| 17. | | | | | | 0 |
| 18. | | | | | | 0 |
| 19. | | | | | | 0 |
| 20. | | | | | | 0 |
| 21. | | | | | | 0 |
| 22. | | | | | | 0 |
| 23. Aggregate Accounts Not Individually Listed - Due | 112,566 | 5,437 | 1,110 | 1,780 | 0 | 120,893 |
| 24. Total | 161,521 | 41,410 | 1,648 | 1,780 | 20,918 | 227,277 |

**

SCHEDULE G - UNPAID CLAIMS ANALYSIS
SECTION I - CLAIMS UNPAID

| | 1 | 2 | 3 |
|---------------------|--|---|---|
| Type of Claim | Reported Claims in Process of Adjustment | Estimated Incurred but Unreported | Total - Unpaid Claims (Columns 4+5 of Section II) |
| 1. Inpatient Claims | | | 0 |
| 2. Physician Claims | | | 0 |
| 3. Referral Claims | 1,110 | 18,360 | 19,470 |
| 4. Other Medical | | | 0 |
| 5. TOTAL | 1,110 | 18,360 | 19,470 |

SECTION II - ANALYSIS OF CLAIMS UNPAID - PREVIOUS YEAR (FILE ANNUAL ONLY)

| 1 Type of Claim | Claims Paid During the Fiscal Year | | Unpaid Claims During the Fiscal Year | | 6 Total Claims (Paid and Unpaid) for the Previous Fiscal Year (2+4) | 7 Estimated Liability of Unpaid Claims Prior to the first day of the Prior Year |
|---------------------|--|--|--|---|--|---|
| | 2 On Claims Incurred Prior to the first day of the Current Fiscal Year | 3 On Claims Incurred During the Fiscal Year | 4 On Claims Unpaid Prior to the first day of the Previous Fiscal Year | 5 On Claims Incurred During the Year | | |
| 6. Inpatient Claims | | | | | 0 | |
| 7. Physician Claims | | | | | 0 | |
| 8. Referral Claims | | | | | 0 | |
| 9. Other Medical | | | | | 0 | |
| 10. TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

SECTION III - INVENTORY OF CLAIMS TO BE PROCESSED*

| 1 Month Ending | 2 Beginning Balance Number of Claims in inventory on the 1st of each month | 3 Add - Claims Received during the month | 4 Deduct - Claims paid during the month | 5 Deduct - Claims denied during the month | 6 Add/Deduct - Adjustments | 7 Ending Balance Number of claims in inventory at the end of the month |
|-------------------|---|---|---|--|----------------------------------|---|
| 11. 01/31/03 | 8,566 | 13,174 | 19,340 | | | 2,400 |
| 12. 02/28/03 | 2,400 | 14,455 | 5,216 | | | 11,639 |
| 13. 03/31/03 | 11,639 | 17,298 | 19,215 | | | 9,722 |
| 14. 04/30/03 | 9,722 | 16,550 | 18,301 | | | 7,971 |
| 15. 05/31/03 | 7,971 | 18,315 | 20,812 | | | 5,474 |
| 16. 06/30/03 | 5,474 | 17,121 | 15,320 | | | 7,275 |
| 17. 07/31/03 | 7,275 | 7,536 | 8,438 | | | 6,373 |
| 18. 08/31/03 | 6,373 | 2,293 | 6,414 | | | 2,252 |
| 19. 09/30/03 | 2,252 | 8,101 | 9,243 | | | 1,110 |
| 20. 10/31/03 | | | | | | 0 |
| 21. 11/30/03 | | | | | | 0 |
| 22. 12/31/03 | | | | | | 0 |

* Describe any significant changes reported on Schedule G, Section III in the Supplemental Schedule (Page 2).

**

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

SCHEDULE H - AGING OF ALL CLAIMS

Age all claims on hand at the end of each month. Use the date of receipt to determine the number of days the claims is outstanding. The amount reported in Column 6 should equal the amount Reported on Schedule G, Section III, Column 7.

| | 1 | 2 | 3 | 4 | 5 | 6 |
|-----|--------------|-----------|------------|------------|--------------|--------|
| 1. | Month Ending | 1-30 Days | 31-60 Days | 61-90 Days | Over 90 Days | Total |
| 2. | 01/31/03 | 2,400 | | | | 2,400 |
| 3. | 02/28/03 | 11,639 | | | | 11,639 |
| 4. | 03/31/03 | 9,722 | | | | 9,722 |
| 5. | 04/30/03 | 7,971 | | | | 7,971 |
| 6. | 05/31/03 | 5,474 | | | | 5,474 |
| 7. | 06/30/03 | 7,275 | | | | 7,275 |
| 8. | 07/31/03 | 6,373 | | | | 6,373 |
| 9. | 08/31/03 | 2,252 | | | | 2,252 |
| 10. | 09/30/03 | 1,110 | | | | 1,110 |
| 11. | 10/31/03 | | | | | 0 |
| 12. | 11/30/03 | | | | | 0 |
| 13. | 12/31/03 | | | | | 0 |

**

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

SCHEDULE I - ANALYSIS OF TOTAL MEDICAL LIABILITY TO ACTUAL CLAIMS PAID

Using the Plan's Lag Tables, complete the following table. Provide claim information the current quarter and the previous seven quarters. An actuarial certification may be submitted in lieu of this schedule.

| Reported Accrual | | | | |
|------------------------|--------------------------|---------------------|---------------------------|--|
| 1 | 2 | 3 | 4 | 5 |
| Quarter Ending Date | Total Medical Liability* | Amount Paid-To-Date | Difference - Column (2-3) | Outstanding Liability (Based on plan's lag |
| 1. Current Quarter | 19,470 | XXX | 19,470 | 19,470 |
| 2. Previous Quarter | 25,635 | 9,375 | 16,260 | 0 |
| 3. Previous 2 Quarters | 28,082 | 19,151 | 8,931 | 0 |
| 4. Previous 3 Quarters | 26,926 | 9,548 | 17,378 | 0 |
| 5. Previous 4 Quarters | 24,915 | 10,342 | 14,573 | 0 |
| 6. Previous 5 Quarters | 24,507 | 8,217 | 16,290 | 0 |
| 7. Previous 6 Quarters | 25,227 | 12,046 | 13,181 | 0 |
| 8. Previous 7 Quarters | 29,676 | 17,650 | 12,026 | 0 |

* Should tie to Report #1, Part B, Columns 1 & 2, Lines 3 through 7.

| 1 | |
|-------------------------------|---|
| NOTES TO FINANCIAL STATEMENTS | |
| 1. | |
| 2. | For the period ended September 30, 2003 (dollars in thousands) |
| 3. | |
| 4. | 1. Business Description |
| 5. | |
| 6. | Organization |
| 7. | |
| 8. | Dedicated Dental Systems, Inc. (the "Company"), a wholly owned subsidiary of InterDent Service |
| 9. | Corporation ("Parent"), formerly Gentle Dental Service Corporation, was formed in 1985 as a licensed |
| 10. | health maintenance organization under the California Knox-Keene Health Care Service Plan Act of |
| 11. | 1975 (the "Knox-Keene Act"). The Company delivers managed dental care services through its dental |
| 12. | practice offices to enrolled individuals, subscriber groups, individuals covered by State of California |
| 13. | Denti-Cal program, and individuals covered under fee for service plans. All of the Company's |
| 14. | operations serve the Bakersfield, California, region. On July 31, 1998, Parent, a wholly owned |
| 15. | subsidiary of InterDent, Inc., acquired all of the outstanding stock of the Company. |
| 16. | |
| 17. | 2. Summary of Significant Accounting Policies |
| 18. | |
| 19. | (a) Business and Regulatory Environment |
| 20. | |
| 21. | The Company is licensed by the Department of Managed Health Care (the "DMHC"). The DMHC |
| 22. | requires the Company to maintain a minimum tangible net equity balance. At September 30, 2003, |
| 23. | the minimum balance required was calculated at approximately \$58. In addition, the DMHC |
| 24. | requires the Company to maintain a minimum deposit of \$50 pursuant to the Knox-Keene Act. |
| 25. | The deposit is comprised of a certificate of deposit held by a trustee and is included in the |
| 26. | accompanying balance sheets as other restricted assets. Interest earned on the funds accrues |
| 27. | to the Company and is not restricted as to use. |
| 28. | |
| 29. | (b) Revenue Recognition and Health Care Services |
| 30. | |
| 31. | Prepaid dental care premiums from enrolled groups and individuals are reported as revenue |
| 32. | in the month in which enrollees are entitled to receive dental care. Premiums received prior to such |
| 33. | period are recorded as unearned premium revenue until earned. |
| 34. | |
| 35. | Fees for services and other revenues consist primarily of net patient service revenue (net patient |
| 36. | revenue). Net patient revenue represents revenue reported at the estimated net realizable amounts |
| 37. | from patients, third-party payors and others for services rendered, net of contractual adjustments. |
| 38. | Such revenues are recognized as services are performed. The Company records its estimated liability |
| 39. | for services provided by other parties based on historical information. |
| 40. | |
| 41. | (c) Cash and Cash Equivalents |
| 42. | |
| 43. | For purposes of the statements of cash flows, cash and cash equivalents include cash on hand and |
| 44. | interest-bearing deposits with original or remaining maturities of three months or less when purchased. |
| 45. | |
| 46. | (d) Accounts Receivable |
| 47. | |
| 48. | Accounts receivable principally represent receivables from patients and insurance carriers for dental |
| 49. | services provided at established billing rates, less allowances and discounts for patients covered |
| 50. | by third-party payor contracts. Payments under these programs are primarily based on |
| 51. | predetermined rates. In addition, a provision for doubtful accounts is provided based upon |
| 52. | expected collections and is included in medical and hospital and practice general and administrative |
| 53. | expenses. These contractual allowances, discounts and allowance for doubtful accounts are |
| 54. | deducted from accounts receivable in the accompanying balance sheets. The discounts and |
| 55. | allowances are determined based upon historical realization rates, the current economic environment |
| 56. | and the age of accounts. Change in estimated collection rates are recorded as a change in estimate |
| 57. | in the period the change is made. |
| 58. | |
| 59. | Continued on tab "Sheet 1") |

| 1 | |
|-----------------------------|---|
| OVERFLOW PAGE FOR WRITE-INS | |
| 1. | |
| 2. | Report #3: Statement of Cash Flows (Direct Method): |
| 3. | |
| 4. | Total to Line #3898 on Report #3 \$ 0 Current Period |
| 5. | Total to Line #3898 on Report #3 \$21,234 Year-to-Date |
| 6. | |
| 7. | |
| 8. | |
| 9. | |
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| 50. | |
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| 53. | |
| 54. | |
| 55. | |
| 56. | |
| 57. | |
| 58. | |
| 59. | |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

KNOX-KEENE
SUPPLEMENTAL INFORMATION
PURSUANT TO SECTIONS 1300.84.06, 1300.84.2 AND 1374.68

| | 1 | 2 | 3 | 4 | 5 |
|-----------|--|--|--|---------------|--------------|
| A. | Explanation of the method of calculating the provision for incurred and unreported claims: | | | | |
| 1. | Historically, the Company's claims costs from outside providers had been minimal. In addition to actual claims received, the Company accrues approximately one month of claims expense as IBNR. | | | | |
| B. | Accounts and Notes Receivable from officers, directors, owners or affiliates, as detailed below: | | | | |
| | <u>Name of Debtor</u> | <u>Nature of Relationship</u> | <u>Nature of Receivable</u> | <u>Amount</u> | <u>Terms</u> |
| 2. | InterDent, Inc. | Parent | Cash Advance | 247,794 | |
| 3. | | | | | |
| 4. | | | | | |
| 5. | | | | | |
| 6. | | | | | |
| C. | Donated materials or services received by the reporting entity for the period of the financial statements, as detailed below: | | | | |
| | <u>Donor's Name</u> | <u>Affiliation with Reporting Entity</u> | <u>Valuation Method</u> | <u>Amount</u> | |
| 7. | InterDent, Inc. | Parent | Income Tax Liability | 593,000 | |
| 8. | | | | | |
| 9. | | | | | |
| 10. | | | | | |
| 11. | | | | | |
| D. | Forgiven debt or obligations, as detailed below: | | | | |
| | <u>Creditor's Name</u> | <u>Affiliation with Reporting Entity</u> | <u>Summary of How Obligation Arose</u> | <u>Amount</u> | |
| 12. | InterDent, Inc. | Parent | Income Tax Liability | 593,000 | |
| 13. | | | | | |
| 14. | | | | | |
| 15. | | | | | |
| E. | Calculation of Tangible Net Equity (TNE) and Required TNE in accordance with Section 1300.76 of the Rules: | | | | |
| 16. | Net Equity | | | \$ | 4,330,441 |
| 17. | Add: Subordinated Debt | | | \$ | 0 |
| 18. | Less: Receivables from officers, directors, and affiliates | | | \$ | 247,794 |
| 19. | Intangibles | | | \$ | 58,546 |
| 20. | Tangible Net Equity (TNE) | | | \$ | 4,024,101 |
| 21. | Required Tangible Net Equity (See Page 22) | | | \$ | 58,193 |
| 22. | TNE Excess (Deficiency) | | | \$ | 3,965,908 |
| F. | Percentage of administrative costs to revenue obtained from subscribers and enrollees: | | | | |
| 23. | Revenue from subscribers and enrollees | | | \$ | 2,642,700 |
| 24. | Administrative Costs | | | \$ | 789,132 |
| 25. | Percentage | | | | 30 |
| 26. | The amount of health care expenses incurred during the six month period immediately preceding the date of the report which were or will be paid to noncontracting providers or directly reimbursed to subscribers and enrollees: | | | \$ | 69,916 |
| 27. | Total costs for health care services for the immediately preceding six months: | | | \$ | 6,160,331 |
| 28. | Percentage | | | | 1 |

| | | |
|---|----|---|
| | | 1 |
| <p>G. If the amount of health care expenses incurred during the six month period immediately preceding the date of the report which <u>were or will be</u> paid to noncontracting providers or directly reimbursed to subscribers and enrollees exceeds 10% of the total costs for health care services for the immediately preceding six months, the following information, determined as of the date of the reports, shall be provided:</p> | | |
| 29. Amount of all claims for noncontracting provider services received for reimbursement but not yet processed: | \$ | |
| 30. Amount of all claims for noncontracting provider services denied for reimbursement during the previous 45 days: | \$ | |
| 31. Amount of all claims for noncontracting provider services approved for reimbursement but not yet paid: | \$ | |
| 32. An estimate of the amount of claims for noncontracting provider services incurred, but not reported: | \$ | |
| 33. Compliance with Section 1377(a) as determined in accordance with such section, as follows: | | |
| 34. Cash & cash equivalents maintained | \$ | |
| 35. Noncontracting provider claims (aggregate of total of items 29 - 32 above) | \$ | 0 |
| 36. Cash & cash equivalents reported to be maintained (120% x Line 35) | \$ | 0 |
| 37. Deposit required (100% of Line 36) | \$ | 0 |
| 38. Excess (deficient) reserves (Line 34 - Line 37) | \$ | 0 |
| Percentage of premium revenue earned from point-of-service plan contracts: | | |
| 39. Premium revenue earned from point-of-service plan contracts | \$ | |
| 40. Total premium revenue earned | \$ | |
| 41. Percentage | | 0 |
| Percentage of total health care expenditures incurred for enrollees for out-of-network services for point-of-service enrollees: | | |
| 42. Health care expenditures for out-of-network services for point-of-service enrollees | \$ | |
| 43. Total health care expenditures | \$ | |
| 44. Percentage | | 0 |
| 45. Point-of-Service Enrollment at end of period | | |
| Total Ambulatory encounters for period for point-of-service enrollees: | | |
| 46. Physician | | |
| 47. Non-Physician | | |
| 48. Total | | 0 |
| 49. Total Patient Days Incurred for Point-of-Service enrollees | | |
| 50. Annualized Hospital Days/1000 for Point-of-Service enrollees | | |
| 51. Average Length of Stay for Point of Service enrollees | | |
| 52. Compliance with Section 1374.68(a) as follows: | | |
| 53. Current Monthly Claims Payable for out-of-network coverage or services provided under Point-of-Service Contracts: | \$ | |
| 54. Current monthly incurred but not reported claims balance for out-of-network coverage or services provided under Point-of-Service contracts | \$ | |
| 55. Total | \$ | 0 |
| 56. Total times 120% | \$ | 0 |
| 57. Deposit (Greater of Line 56 or minimum of \$200,000) | \$ | |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

REQUIRED TANGIBLE NET EQUITY (TNE) CALCULATION:

TNE required must be equal to the GREATER of "A" "B" or "C" below (See Rule 1300.76)

| | | Full Service Plans | | Specialized Plans | |
|-----------|--|-----------------------|--|--|-----------|
| | | 1 | | 2 | |
| A. | Minimum TNE Requirement | \$ 1,000,000 | | Minimum TNE Requirement | \$ 50,000 |
| B. | REVENUES: | | | | |
| 1. | 2% of the first \$150 million of annualized premium revenues | \$ | | 2% of the first \$7.5 million of annualized premium revenue | \$ 58,193 |
| | Plus | | | Plus | |
| 2. | 1% of annualized premium revenues in excess of \$150 million | \$ | | 1% of annualized premium revenue in excess of \$7.5 million | \$ 0 |
| 3. | Total | \$ 0 | | Total | \$ 58,193 |
| C. | HEALTHCARE EXPENDITURES: | | | | |
| 4. | 8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis. | \$ | | 8% of the first \$7.5 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis. | \$ 0 |
| | Plus | | | Plus | |
| 5. | 4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis. | \$ | | 4% of annualized health care expenditures in excess of \$7.5 million except those paid on a capitated or managed hospital payment basis. | \$ 0 |
| | Plus | | | Plus | |
| 6. | 4% of the annualized hospital expenditures paid on a managed hospital payment basis. | \$ | | 4% of the annualized hospital expenditures paid on a managed hospital payment basis. | \$ 45,110 |
| 7. | Total | \$ 0 | | Total | \$ 45,110 |
| 8. | Required "TNE" - Greater of "A" "B" or "C" | \$ | | Required "TNE" - Greater of "A" "B" or "C" | \$ 58,193 |

**KNOX -KEENE
SUPPLEMENTAL INFORMATION
PURSUANT TO SECTIONS 1374.64**

POINT OF SERVICE TANGIBLE NET EQUITY CALCULATION

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

| | | |
|---|----|-----------|
| | 1 | |
| 1. Net Equity | \$ | 4,330,441 |
| 2. Add: Subordinated Debt | \$ | |
| 3. Less: Receivables from officers, directors, and affiliates | \$ | |
| 4. Intangibles | \$ | |
| 5. Tangible Net Equity (TNE) | \$ | 4,330,441 |
| 6. Required Tangible Net Equity (From Line 10 or 13 below) | \$ | |
| 7. TNE Excess (Deficiency) | \$ | 4,330,441 |
| ADJUSTED MINIMUM TANGIBLE NET EQUITY CALCULATION (Complete Section I or II): | | |
| I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2): | | |
| 8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2) | \$ | |
| 9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees | \$ | |
| 10. Add lines 8 and 9 | \$ | 0 |
| II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3): | | |
| <u>PART A</u> | | |
| 11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 24) | \$ | |
| 12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees | \$ | |
| 13. Add lines 11 and 12 | \$ | 0 |
| III. MINIMUM TNE REQUIREMENT TO DETERMINE MONTHLY REPORTING | | |
| 14. Line 5 (above) | \$ | 4,330,441 |
| 15. Multiply Line 6 (above) by 130% | \$ | 0 |
| 16. Difference (Line 14 - Line 15) | \$ | 4,330,441 |
| If Line 14 is less than Line 15, then monthly reporting is required | | |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION

| | 1 Full Service Plans | 2 Specialized Plans |
|--|-----------------------------------|-----------------------------------|
| 1. Health care expenditures for period | \$ <input type="text"/> | \$ <input type="text"/> |
| Less: | | |
| 2. Capitated or managed hospital payment basis expenditures | <input type="text"/> | <input type="text"/> |
| 3. Health care expenditures for out-of-network services for point-of-service enrollees | <input type="text"/> | <input type="text"/> |
| 4. Result | <input type="text" value="0"/> | <input type="text" value="0"/> |
| 5. Annualized | <input type="text"/> | <input type="text"/> |
| 6. Reduce to maximum of \$150 million | <input type="text"/> | <input type="text"/> |
| 7. Multiply by 8% | \$ <input type="text" value="0"/> | \$ <input type="text" value="0"/> |
| Plus | | |
| 8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees | \$ <input type="text"/> | \$ <input type="text"/> |
| 9. Less \$150 million | <input type="text"/> | <input type="text"/> |
| 10. Multiply by 4% | \$ <input type="text" value="0"/> | \$ <input type="text" value="0"/> |
| Plus | | |
| 11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees | \$ <input type="text"/> | \$ <input type="text"/> |
| 12. Multiply by 4% | \$ <input type="text" value="0"/> | \$ <input type="text" value="0"/> |
| 13. Total | \$ <input type="text" value="0"/> | \$ <input type="text" value="0"/> |

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

(e) Supplies Inventory

Supplies consist primarily of disposable dental supplies and instruments stored at the dental practices. Supplies are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

(f) Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost; replacements and major improvements are capitalized, while repairs and maintenance are charged to expense as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, typically ranging from three to 15 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the term of the lease.

(g) Goodwill

In July 2001, the FASB issued Statements of Financial Accounting No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), effective for the Company in the first quarter of 2002. SFAS 142 requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life are subject to an annual review for impairment. The Company performed the required impairment tests of goodwill as of January 1, 2002, as the goodwill is determined to have an indefinite life. No impairment was recorded during 2002 as a result of adopting SFAS 142. Also, the Company did not record amortization on its goodwill during 2002 or through September 30, 2003.

On June 30, 2003, the Company closed one of its offices. The amount of goodwill written off in June 2003 for this closed office was \$20,834 (\$25,000 original goodwill cost less \$4,166 accumulated goodwill amortization).

(h) Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS 121, and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of this statement were effective on January 1, 2002. The adoption of SFAS 144 did not have a significant impact on the Company's financial position or results of operations and no impairment of long-lived assets was recorded during the nine months ended September 30, 2003.

(i) Fair Value of Financial Instruments

The Company's balance sheets include the following financial instruments: cash and cash equivalents, certificates of deposit, receivables, and accounts payable. The Company considers the carrying amounts of current assets and liabilities in the financial statements to approximate the fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

(j) Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of premiums receivable. Concentrations of credit risk with respect to receivables are limited due to the large number of individuals and employer groups comprising the Company's customer base.

(Continued on "Sheet 2")

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

(Continued)

(k) Income Taxes

The Company does not file separate federal, state and local tax returns as they are filed with the consolidated tax returns of Parent. According to a tax sharing agreement with Parent, no income taxes payable under the consolidated tax returns is allocated to or payable by the Company (see Note 7).

(l) Professional Liability Insurance

The Company maintains claims-made basis professional liability insurance coverage of \$5,000 per incident and \$5,000 in the aggregate on an annual basis. Claims-made coverage covers only those claims reported during the policy period. The Company expects to renew its existing policies and to be able to continue to obtain coverage in future years.

(m) Claims Payable

Claims payable, included in other current liabilities, include amounts billed and not paid and an estimate of costs incurred for unbilled services ("IBNR") by dental care providers at the balance sheet date. At September 30, 2003, the IBNR reserve estimate was \$18.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(3) Equipment and Leasehold Improvements

The following table summarizes the components of equipment and leasehold improvements at September 30, 2003:

| | |
|--|-----------------------|
| Equipment | \$1,463 |
| Leasehold improvements | 942 |
| | <u>\$2,405</u> |
| Less accumulated depreciation and amortization | (1,299) |
| | <u><u>\$1,106</u></u> |

(4) Commitments and Contingencies

The Company leases office space and equipment for its corporate and dental practice offices under various noncancelable operating leases. Future minimum lease payments due at September 30, 2003, including those with related parties as outlined in Note 6, are summarized as follows:

| | |
|------------|-----------------------|
| 2003 | \$103 |
| 2004 | 415 |
| 2005 | 411 |
| 2006 | 380 |
| 2007 | 322 |
| Thereafter | 329 |
| | <u><u>\$1,960</u></u> |

Rental expense, including equipment month-to-month rentals, totaled \$407 for the nine months ended September 30, 2003.

(Continued on "Sheet 3")

STATEMENT AS OF 9-30-2003 OF 933-0244 DEDICATED DENTAL SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
(dollars in thousands)
(Continued)

(5) Employee Benefits

The Company participates in the InterDent, Inc. defined contribution plan in accordance with Section 401 (k) of the Internal Revenue Code. The plan covers substantially all employees of the Company. Contributions to the plan by the Company are discretionary. There were no Company contributions to the plan during the nine months ended September 30, 2003.

(6) Related Party Transactions

Parent receivable at September, 30, 2003 was \$248.

Several professional associations ("P.A.'s") affiliated with Parent provide dental care services to certain Company enrolled groups. The Company paid \$209 in capitation payments to the P.A.'s for dental care services provided to enrollees of its insured groups during the nine months ended September 30, 2003.

The Company continues to lease the following dental practice offices from Dental Practice Management ("DPM"), an entity owned by the Company's prior president:

| <u>Clinic</u> | <u>Location/ California</u> |
|--------------------------------|---------------------------------|
| Mountain View Family Dentistry | Arvin |
| Rosedale Dental Practice | Bakersfield |
| California Dental Center | Bakersfield |
| San Dimas Orthodontic Center | Bakersfield |
| Delano Family Dentistry | Delano |

The leases require aggregate monthly payments of up to \$26 and expire at various dates through March 2010. Rental expense, aggregating \$230 for the nine months ended September 30, 2003, is included in Medical and Hospital under Occupancy, Depreciation, and Amortization.

Future minimum lease payments under lease agreements with DPM at September 30, 2003 are summarized as follows:

| | |
|------------|----------------|
| 2003 | \$77 |
| 2004 | 307 |
| 2005 | 307 |
| 2006 | 307 |
| 2007 | 307 |
| Thereafter | 329 |
| | <u>\$1,634</u> |

(7) Income Taxes

The Company is included as part of the consolidated returns of InterDent, Inc. During the nine months ended September 30, 2003, the Company recorded income tax expense of \$593 as if the Company were taxed as a C Corporation and was responsible for its federal and state income taxes on a stand-alone rather than a consolidated basis. However, under the Company's tax-sharing agreement with Parent, no income taxes payable under any federal, state, or local tax return of the consolidated group of which Parent is a member shall be allocated to or payable by the Company. As a result, the Company has recorded a capital contribution from Parent of \$593 for the nine months ended September 30, 2003.

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